

Exempt organizations that have E numbers are allowed to engage in a very limited amount of retail selling without incurring Retailers' Occupation Tax liability. See, 86 Ill. Admin. Code 130.2005. (This is a GIL.)

January 7, 1999

Dear Ms. Xxxxx:

This letter is in response to your letter dated November 22, 1998. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

I would like an opinion in writing as to whether a 501 (c)(3) organization that is a garden club has to charge sales tax if they have a Holiday Boutique or fund raising event where they sell new books, ornaments and other gift items that they have purchased wholesale and are selling at retail to make a profit.

I am under the impression that certain types of 501 (c)(3) organizations can hold up to 2 sales a year and not have to charge tax, but that other types of 501 (c)(3) organizations would have to charge for each event.

If I could have something in writing it enables me to document this to my clients.

I would also appreciate a response as soon as possible to this question. Thank you very much.

Organizations that make application to the Department of Revenue and are determined to be exclusively religious, educational, or charitable, receive an exemption identification number (an "E" number). See the enclosed copy of 86 Ill. Adm. Code 130.2007. This number evidences that the Department recognizes the organizations as exempt from incurring Use Tax when purchasing tangible personal property in furtherance of their organizational purposes. If an organization does not have an E number, then its purchases are subject to tax. Please be aware that only sales to organizations holding the E number are exempt, not sales to individual members of the organization.

Organizations that have E numbers are also allowed to engage in a very limited amount of retail selling without incurring Retailers' Occupation Tax liability. These limited amounts of selling are described in the enclosed copy of 86 Ill. Adm. Code 130.2005(a)(2) through (a)(4). An exempt organization may engage in sales to members, noncompetitive sales, and certain occasional dinners

and similar activities (two fundraisers a year) without incurring Retailers' Occupation Tax liability.

For your general information, nonprofit country clubs, boat clubs, employees' clubs or organizations and other nonprofit social, athletic or recreational organizations, lodges, patriotic organizations, fraternities, sororities, professional and trade associations, civic organizations, labor unions and other nonprofit organizations are not considered to be exclusively charitable, religious or educational and are consequently liable for Retailers' Occupation Tax when selling tangible personal property at retail to members, guests, or others.

Please be informed that this office no longer performs the function of processing sales tax exemption identification numbers. This work is now done by the Department's Local Government Services Bureau, and they can be reached at (217) 785-8661.

I hope this information is helpful. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Terry D. Charlton
Associate Counsel

TDC:mks
Encl.